



FOR IMMEDIATE RELEASE
Friday, February 17, 2006

For Information Contact Public Affairs
SANDY RAYNOR
Telephone: (602) 514-7625
Cell: (602) 525-2681

GILBERT MAN FOUND GUILTY OF BANK AND STUDENT LOAN FRAUD

PHOENIX - Robert C. Hazlett, 44, of Gilbert, Ariz., was found guilty of Conspiracy to Commit Bank Fraud and Student Loan Fraud in a decision by U.S. District Court Judge Stephen M. McNamee. Both parties agreed to submit the case to Judge McNamee for a decision without a jury. The judge's decision was based on the testimony and evidence presented during a jury trial held in May 2005 in which the jury was deadlocked.

From April 1999 to June 2000 Hazlett was the President of Valley Acceptance Corporation, a debt collection agency which provided services to colleges participating in the U.S. Department of Education Perkins Loan Program. The company's collection efforts were directed at students who had defaulted in the repayment of their Perkins loans to their schools.

The Court found that Hazlett and four of his employees conspired to submit fraudulent applications for replacement "consolidated student loans" to SunTrust Bank of Richmond, Va. which generated in excess of \$1 million in commissions for themselves. The scheme consisted of misrepresenting that the applicants were in a repayment status on their prior loans rather than listing their default status. The defendants also falsely indicated that the applicants had made six payments to their prior loans so that they would qualify for the new bank loans that were federally insured by the U.S. Department of Education.

A total of 537 fraudulent applications were submitted and approved by the bank for consolidated loans, totaling in excess of \$3.6 million. The borrowers subsequently defaulted on 212 of the fraudulently obtained loans causing a loss to the bank in excess of \$1.4 million which was ultimately paid through insurance from the Department of Education.

The four other defendants pleaded guilty and have been sentenced. One defendant received 14 months in prison and the others received probation.

Judge McNamee reached his guilty verdict on February 9, 2006. Sentencing is set for May 1, 2006. A conviction for conspiracy carries a maximum penalty of five years in prison, a \$250,000 fine or both. In determining an actual sentence, Judge McNamee will consult the U.S. Sentencing Guidelines, which provide appropriate sentencing ranges. The judge, however, is not bound by those guidelines in determining a sentence.

The investigation leading to the guilty verdict was conducted by the FBI and the Office of the Inspector General, U.S. Department of Education. The prosecution is being handled by Richard I. Mesh, Assistant U.S. Attorney, District of Arizona, Phoenix.

CASE NUMBER: CR-04-0276-PHX
RELEASE NUMBER: 2006-028(Hazlett)

###